

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 IO-10 CPR-01 SAM-01 EB-07 LAB-04

SIL-01 SAJ-01 TRSE-00 AID-05 OMB-01 COME-00 STR-04

CIEP-01 PM-03 H-02 INR-07 L-03 NSC-05 PA-01 PRS-01

SP-02 SS-15 /088 W

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FM AMEMBASSY MADRID

TO SECSTATE WASHDC IMMEDIATE 2540

C O N F I D E N T I A L MADRID 5156

E.O. 11652: GDS

TAGS: PFOR, SP, OVIP (FORD, GERALD)

SUBJ: PRESIDENT'S MEETING WITH PREMIER ARIAS NAVARRO
IN HELSINKI

1. EMBASSY SUBMITS FOLLOWING BRIEF MEMORANDUM ON DEVELOPMENTS
IN SPAIN SINCE PRSIDENT'S VISIT TO MADRID MAY 31.

2. FIRST ANNIVERSARY OF FRANCO'S ILLNESS FOUND HIM MORE
ACTIVE AND VISIBLY IN CHARGE OF GOVT THAN AT ANY TIME IN
PAST YEAR. IGNORING APPEALS BY SOME POLITICIANS AND
COMMENTATORS IN MEDIA THAT HE TURN OVER REINS OF GOVT TO
JUAN CARLOS, FRANCO SEEMS TO HAVE DECIDED TO STAY IN CHARGE,
PROVIDED HIS PRESENT HEALTH PERMITS, AT LEAST WHILE SPAIN
FACES SUCH CRITICAL ISSUES AS DECOLONIZATION OF SAHARA AND
NEGOTIATIONS WITH U.S.

3. ALTHOUGH POLITICIANS AND COMMENTATORS HAVE SAID JUAN
CARLOS IS READY TO ASSUME RESPONSIBILITIES AS HEAD OF
STATE, IMAGE OF MONARCHY WAS SOMEWHAT DAMAGED BY STATE-
MENT IN JUNE BY HIS FATHER, DON JUAN, QUESTIONING
LEGITIMACY OF CAUDILLO'S MONARCHICAL SOLUTION OF SPAIN.

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DON JUAN WAS SUBSEQUENTLY BANNED FROM SPAIN.

4. ARIAS' POSITION WAS WEAKENED BY APPOINTMENT, REPORTEDLY AT FRANCO'S INSISTENCE, AS NEW SECGEN OF NATIONAL MOVEMENT OF JOSE SOLIS RUIZ, A POLITICAL INFIGHTER WHOSE INFLUENCE HAS ALREADY BEEN FELT IN PUBLIC AFFAIRS. PRESSURES FROM RIGHT WING FORCES HAVE HELD UP GRADUAL LIBERALIZATION PROMISED BY ARIAS, PARTICULARLY EMERGENCE OF VIABLE POLITICAL ASSOCIATIONS. AUTHORITARIAN AND CAUTIOUS APPROACH TO INTERNAL POLITICAL DEVELOPMENT WAS KEY THEME IN JUNE 24 SPEECH BY ARIAS TO CORTES. ARIAS REITERATED AT THAT TIME POSITION EXPRESSED EARLIER BY SPANISH LEADERS THAT SPAIN WOULD NOT ADJUST ITS INSTITUTIONS SIMPLY IN ORDER TO PLEASE EUROPEANS FOR PURPOSE OF ACCESS TO EUROPEAN ORGANIZATIONS.

5. SLOWDOWN OF PROSPECTS FOR GRADUAL LIBERALIZATION HAS LED TO FRUSTRATION IN POLITICAL CIRCLES, INCLUDING AMONG THOSE ORIGINALLY WILLING TO COOPERATE WITH ARIAS IN ORGANIZING POLITICAL ASSOCIATIONS. NEED FOR GRADUAL POLITICAL CHANGE TO MATCH SPAIN'S ECONOMIC AND SOCIAL TRANSFORMATIONS IN THE PAST TWO DECADES IS FELT IN MANY SECTORS OF OPINION. IN EFFORT TO KEEP PROGRAM OF GRADUAL LIBERALIZATION ON TRACK GOVT HAS NOW DECIDED ON TEMPORARY PROROGATION OF PRESENT CORTES IN ORDER TO ALLOW ENOUGH TIME FOR NASCENT POLITICAL ASSOCIATIONS TO BECOME ORGANIZED AND TAKE PART IN ELECTIONS, ORIGINALLY SCHEDULED FOR THIS FALL, BUT PRESUMABLY NOW FOR EARLY 1976. MEANWHILE, CLANDESTINE DEMOCRATIC OPPOSITION GROUPS, PRINCIPALLY SOCIALISTS AND CHRISTIAN DEMOCRATS, FINALLY WORKED OUT COALITION TO RIVAL COMMUNIST-SPONSORED "JUNTA DEMOCRATICA".

6. MILITARY LEADERS HAVE REITERATED THEIR COMMITMENT TO FUNDAMENTAL LAWS AND JUAN CARLOS' SUCCESSION; THERE ARE SOME INDICATIONS SOME OF THEM ARE ALSO BECOMING IMPATIENT FOR EARLY ACCESSION OF JUAN CARLOS, BUT NO MOVE ON THEIR PART LIKELY.

7. ON LABOR FRONT, GOS RECOGNIZED FOR FIRST TIME POSSIBILITY OF LEGAL STRIKES AND RIGHT OF WORKERS TO HOLD MEETINGS AT WORK SITE. CLANDESTINE LABOR ORGANIZATIONS WERE NOTABLY UNSUCCESSFUL IN THEIR EFFORTS TO HOLD POLITICALLY MOTIVATED GENERAL STRIKES
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BUT WERE QUITE SUCCESSFUL IN SHOP STEWARD ELECTIONS HELD IN JUNE.

8. GOS HAS FINALLY APPEARED TO BEGIN TO SEEK SOLUTION TO BASQUE PROBLEM BY POLITICAL AS WELL AS POLICE MEANS. GOS HAS MADE NO PROGRESS IN CHURCH/STATE RELATIONS.

9. EXTERNAL EVENTS, PARTICULARLY WORSENING SITUATION IN

SHARA, DETERIORATING RELATIONS WITH MOROCCO, FRUSTRATION WITH NATO'S REFUSAL TO ACKNOWLEDGE IMPORTANCE OF SPANISH CONTRIBUTION TO WESTERN DEFENSE AND STALEMATE IN NEGOTIATIONS FOR SPAIN'S ASSOCIATION WITH EC, AND DETERIORATING SITUATION IN PORTUGAL, HAVE CONTRIBUTED TO INCREASED SIGNS OF NATIONALISM AND TO RIGHT WING GROUPS BEING MORE ACTIVE AND VOCIFEROUS IN CHALLENGING PREMISE OF GRADUAL POLITICAL LIBERALIZATION.

10. WITH FOREIGN EXCHANGES RESERVES OF \$5.6 BILLION AND A CONTINUING REAL GROWTH RATE (GNP) OF TWO PERCENT AND RELATIVELY LOW UNEMPLOYMENT, SPAIN'S ECONOMY IS STILL RELATIVELY HEALTHY COMPARED TO OTHER EUROPEAN COUNTRIES. INFLATION IS STILL HIGH, HOWEVER, AT 17 PERCENT, AND UNEMPLOYMENT HAS RISEN TO ABOUT FOUR PERCENT. GOS HAS COPEd THUS FAR WITH SERIOUS BALANCE OF TRADE DEFICIT AT COST OF REDUCED LEVEL OF REAL ECONOMIC GROWTH, SLIGHT INCREASE IN UNEMPLOYMENT, AND SUBSTANTIAL BORROWING ABROAD.
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